

# Real vs. Perceived Price Resistance

by David Yoho CPAE

**Y**our presentation was well received. Yet, after you quote the price, the prospect confronts you with silence and then says, "That's a lot of money!"

**Why did the prospect say that?** I've posed that question to thousands of people and I've catalogued 21 different answers. Although most of their answers do not qualify as legitimate price objections, people perceive them to be real and handle them as if they were. The ability to determine the difference between real and perceived price resistance is critical to becoming a great negotiator.

**Key Issue** ▶ Your first step is to identify the problem - not to solve it! Your success will not be measured by your ability to handle an objection properly, but by your ability to handle the proper objection properly.

"When you justify your price, you validate the objection whether it's real or not."

There are five categories of price resistance but only one is real, or "legitimate". The other four categories are perceived (misunderstandings, conditions, stalls & tactics).

## 1. Legitimate Price Resistance

There are two occasions when you need to defend your price. The first is when prospects feel they can obtain the same product, service or result from someone else for less money. The second is when prospects don't see the value or the pay back.

You can separate yourself from price comparison by conducting examinations and offering recommendations that are different from and more personalized than your competition. Then, your prospects are more likely to compare products or services based on your advice – not on your price. Whenever two options appear the same to buyers, the decision will almost certainly be made on price.

In order to help the other party see the value and the pay back, it's crucial to identify their alternatives and the costs of each, especially the cost of "doing nothing". Although it costs money to buy, it also costs money to do nothing.

## 2. Misunderstandings

People rarely buy when they don't understand, and worse, they can't or won't tell you when they don't understand. Sometimes, media or a third party has misinformed them. Maybe they just need to be reassured. Also, people are terrible at applying mathematics and rarely examine all the financial aspects of the deal. Even if they do, their measurements could be faulty.

To avoid misunderstandings, simplify your language and simplify the prospect's decisions.

Ask for smaller, easier, more focused commitments after each major step in your process. This makes it easier for people to see the value of what they're buying and it brings resistance to the surface before the price is quoted, when it's easier to diffuse. Also, avoid discussing any and all "numbers" without a calculator. To give the buyer ownership, allow them to perform the calculations.

## 3. Conditions

Conditions are real situations that affect the buyer's response to the price, but are not necessarily related to the price itself. This includes lack of trust, credibility or urgency, indecisiveness, a temporary mood, personal or third party justification, bad turf, the lack of all decision makers, and the lack of (or perceived lack of) money.

You need to take control of these conditions but you don't have to control, pressure or intimidate people. You maintain control by knowing more about your prospects than they know about you.

Use open-ended questions at the beginning of every conversation (and during most of your examination) to obtain facts, feelings and beliefs. Use qualification questions to clarify intent because people don't always say what they mean or mean what they say. Ask a "feeling" or "opinion" question after each important feature in your presentation to determine whether they feel that feature fulfills a want.

#### 4. Stalls

Stalls usually occur when people are insecure, indecisive or don't see the urgency of making a decision. Unfortunately, prospects won't tell you they're insecure or indecisive – they may not recognize it themselves. Therefore, their remarks will not reveal their true feelings, opinions or motives. They may say something like, "Let me put a pencil to this and I'll get back to you."

Avoiding stalls is impossible. Seventy percent of your prospects will be indecisive. However, you can lessen the number of stalls by offering fewer and simpler choices. Sometimes, the other party wants us to make the decision in order to obviate their personal responsibility. Others actually believe that we're more qualified. The key is to honor their trust with the truth.

#### 5. Tactics

People use tactics when trying to get a better deal, regardless of their perception of the value. Tactics are the most difficult of the five categories to deal with because you're never dealing with the truth. Sometimes you're dealing with outright deceit - other times it's more innocent. To many, it's merely self-protection. They may be testing you or just trying to save money.

My grandparents were immigrants and working class people who wouldn't try to take advantage of others. They rarely knew whether the price was right, but they knew that if they questioned it, they might be rewarded with a better deal.

Some buyers will object to your price as a method to make you sweat, to punish you, or to gain control of the relationship.

Whatever you do, don't validate tactics by paying them too much attention. When you ignore a tactic, there's a good chance that it won't be repeated.

You can minimize tactics with humor. Example: "We were about to implement a 5% price reduction across the board when our accountant informed us that we needed that money to be available and ready when you called for service." *Humor is risky. Use it when you have a good sense of timing or, nothing to lose.*

You can also minimize tactics with a more serious approach. "I really want to work with you but you've just asked me for most of the profit. How could we work this out so we'll both be happy?"

#### Remember!

When you justify your price, you validate the objection, whether it's real or not. When you justify your price before you know if price is a real issue, you may create an objection that didn't previously exist. Master your ability to determine the difference between real and perceived price resistance and you'll close more business and at better prices and terms.

This information is excerpted from David Yoho's CD program "Negotiating Higher Prices in Competitive Markets". For more information on this subject or for more articles, visit our website.

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**David Yoho** provides systems and structure for organizations that want to develop more leads, convert a higher percentage of their leads into customers and to negotiate better prices and terms.

David has delivered more than 2,500 speeches and seminars to executives, managers, salespeople and business owners on negotiation, sales, management and database marketing.